

Message Text

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NSAE-00 PA-03 RSC-01 PRS-01 SPC-03 USIA-15 TRSE-00

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TO SECSTATE WASHDC 2121

C O N F I D E N T I A L SECTION 1 OF 2 USNATO 4897

E.O. 11652: GDS, 12/31/79

TAGS: ECON, ETRD, NATO

SUBJECT: ECONOMIC COMMITTEE: FUTURE WORK PROGRAM

SUMMARY: THIS MESSAGE TRANSMITS THE TEXTS OF A SECRETARIAT DOCUMENT AND OF A NOTE PROPOSING NEW TOPICS FOR ECONOMIC COMMITTEE WORK IN COMING MONTHS. MISSION REQUESTS WASHINGTON COMMENTS BY OCT. 17 ON ITS PREFERENCES ON THESE TOPICS.
END SUMMARY.

1. FOLLOWING IS THE TEXT OF DOCUMENT ED/EC/73/99 ON POSSIBLE EASTERN EUROPEAN TOPICS FOR WORK BY THE ECONOMIC COMMITTEE.
BEGIN TEXT:

I. AGRICULTURE IN EASTERN EUROPE AND PARTICULARLY IN THE USSR

AGRICULTURE IS STILL THE ACHILLES HEEL OF THE SOVIET UNION. AGRICULTURE'S CONTRIBUTION TO NATIONAL INCOME IS MUCH GREATER IN THE USSR THAN IN THE INDUSTRIALIZED COUNTRIES OF THE WEST. ECONOMIC AND SOCIAL PROGRESS DEPEND THEREFORE CONSIDERABLY ON ITS DEVELOPMENT:

-COMPARISON OF RECENT DEVELOPMENTS IN THE EAST EUROPEAN COUNTRIES:

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-1973 RESULTS, WEAKNESSES AND FUTURE PROSPECTS;

-LIKELY EFFECTS ON STANDARD OF LIVING AND ON EAST-WEST TRADE.

II. COMECON LONG-TERM INTEGRATION PLAN

-A CRITICAL ANALYSIS OF THE PLAN:

-SOVIET INTENTIONS AND THE ATTITUDE OF OTHER EAST EUROPEAN COUNTRIES TO THE PLAN;

-RECENT DEVELOPMENTS IN COMECON;

-RELATIONS BETWEEN COMECON AND THE EEC.

III. THE LOT OF THE SOVIET CONSUMER UNDER BREZHNEV

ON VARIOUS OCCASIONS IN RECENT YEARS THE SOVIET AUTHORITIES HAVE ANNOUNCED THEIR INTENTION TO IMPROVE THE LOT OF THE CONSUMER:

-PROMISES AND PERFORMANCE;

-QUESTIONS CONCERNING HOUSING, FOOD, CONSUMER GOODS, WAGES, PENSIONS AND SOCIAL SECURITY, PUBLIC HEALTH, ETC.,
PROGRESS ACHIEVED, OUTLOOK, COMPARISONS;

-THE GROWTH IN OUTPUT OF CONSUMER GOODS IS THE INCENTIVE ON WHICH PRODUCTIVITY IN THE LAST RESORT DEPENDS; HOWEVER IS THIS GROWTH TO BE RECONCILED WITH THE SOVIET TRADITION OF PRIORITY FOR THE CAPITAL SECTOR AND DEFENCE?

IV. DEVELOPMENT OF PLANNING TECHNIQUES IN THE EASTERN COUNTRIES

ALTHOUGH ORIGINALLY THE PLANNING METHODS USED IN THE EAST EUROPEAN COUNTRIES WERE SOVIET INSPIRED, CERTAIN EXPERIMENTS HAVE BEEN TRIED OUT IN VARIOUS COUNTRIES, WITH THE RESULT THAT PLANNING TECHNIQUES NOW DIFFER:

-CURRENT PLANNING IN EASTERN COUNTRIES, SOVIET, HUNGARIAN, POLISH, EAST GERMAN AND CZECHOSLOVAK MODELS;
SIMILARITIES AND DIFFERENCES;
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-CYBERNETICS AND PLANNING IN CENTRALLY CONTROLLED ECONOMIES, COMPUTERS;

- THE ROLE OF INCENTIVES, ECONOMIC REFORM, PLAN ELABORATION AND IMPLEMENTATION;

- THE SWING OF THE PENDULUM; CENTRALIZING AND DECENTRALIZING TENDENCIES; ENTERPRISE AUTONOMY.

V. EDUCATION AND TECHNOLOGY IN USSR

THE SOVIET REGIME HAS DEVOTED GREAT EFFORTS TOWARDS OVERCOMING ILLITERACY AND PROVIDING TECHNICAL AND PROFESSIONAL

TRAINING;

-RESULTS ACHIEVED;

-SOVIET SCIENTIFIC POLICY: PURE AND APPLIES RESEARCH;

-SPECIALIZATION OF TECHNICAL AND SCIENTIFIC TRAINING;

- EAST-WEST TECHNOLOGICAL GAP: IN WHICH SECTORS DOES THIS
EXIST, AND WHY?

-FURTHER PROSPECTS.

VI. SOVIET BALANCE OF PAYMENTS

THE CONTINUATION OF OUR STUDIES ON SOVIET INDEBTEDNESS
AND ON CREDITS GRANTED BY WESTERN COUNTRIES SHOULD LOGICALLY LEAD
TO THE ELABORATION OF THE SOVIET BALANCE OF PAYMENTS IN CONVERTIBLE
CURRENCY. IN THE PAST VARIOUS EFFORTS IN THIS DOMAIN HAVE BEEN
MADE WITHOUT MUCH SUCCESS. THE STUDY APPEARING ON PAGES 638-776 OF
"SOVIET ECONOMIC PROSPECTS FOR THE SEVENTIES", PUBLISHED BY THE
JOINT ECONOMIC COMMITTEE OF THE CONGRESS OF THE UNITED STATES
APPEARS TO PROVIDE A FRESH STARTING POINT:

-TRADE BALANCE IN CONVERTIBLE CURRENCY, INVISIBLES, RESERVES
OF CONVERTIBLE CURRENCY, GOLD RESERVES AND SALES.

2. IN ADDITION TO THE ABOVE DOCUMENT, THE FOLLOWING IS THE
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TEXT OF A NOTE ON POSSIBLE NATO COUNTRY TOPICS TO BE CONSIDERED
BY THE ECONOMIC COMMITTEE. THE NOTE HAS NOT YET BEEN
GENERALLY DISTRIBUTED TO ALL MEMBERS OF THE COMMITTEE. HOWEVER,
MEMBERS OF THE SECRETARIAT DISCUSSED THE DOCUMENT INFORMALLY
WITH US, UK, BELGIAN AND DUTCH REPS, ALL OF WHOM WERE NON-COMMITTAL.
BEGIN TEXT:

THE FOLLOWING TENTATIVE LIST OF TOPICS HAS BEEN
DRAWN UP MERELY AS A MEANS OF STIMULATING DISCUSSION AS TO
WHAT NEW ORIENTATIONS MIGHT BE GIVEN TO THE ECONOMIC COMMITTEE
IN THE FUTURE.

I. THE ECONOMIC RESULTS AND PROSPECTS OF THE DEVELOPING MEMBER COUNTRIES OF THE ALLIANCE

THE ECONOMIC COMMITTEE MIGHT CONCEIVABLY ACT AS A POOL
OF INFORMATION AND A FORUM FOR DISCUSSION OF THE SPECIAL ECONOMIC
PROBLEMS AND PROSPECTS OF SUCH MEMBER COUNTRIES AS PORTUGAL,
GREECE AND TURKEY WHOSE PER CAPITA INCOME IS STILL LOW IN RELATION
TO THE OTHER INDUSTRIALIZED NATO COUNTRIES:

-INDUSTRIALIZATION;

-EMIGRATION;

-ECONOMIC RELATIONS WITH THE EUROPEAN COMMUNITY AND WITH
OTHER NATO COUNTRIES;

-DIVERSIFICATION OF FOREIGN TRADE.

II. THE CHANGING PATTERN OF ENERGY

THE ENERGY PROBLEMS WILL BE THE FOCUS OF ATTENTION OVER
THE NEXT DECADES. ECONOMIC AND SOCIAL PROGRESS WILL BE DEEPLY
AFFECTED BY THE WAY THIS PROBLEM IS TACKLED:

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C O N F I D E N T I A L SECTION 2 OF 2 USNATO 4897

-CONSEQUENCES OF THE CHANGING PATTERN OF ENERGY ON
INDIVIDUAL MEMBER COUNTRIES' ECONOMIES;

-EFFECTS ON COSTS AND THEIR REPERCUSSIONS ON THE DEFENCE
SPENDING;

-POSSIBLE ROLE ON ALTERNATIVE SOURCES OF SUPPLY (SOURCES
OF ENERGY IN THE SOVIET UNION);

-POSSIBLE ROLE OF NEW SOURCES OF ENERGY (NUCLEAR, SOLAR,
ETC.).

III. RAW MATERIALS

THE PROBLEM OF THE GROWING SCARCITY IN THE LONG RUN OF
THE TRADITIONAL RAW MATERIALS REQUIRED BY THE INDUSTRIALIZED
COUNTRIES HAS BEEN HIGHLIGHTED IN RECENT YEARS. THE INDUSTRIALIZED
WEST AND IN PARTICULAR, EUROPE, IS HEAVILY DEPENDENT ON THE SUPPLY

OF TRADITIONAL RAW MATERIALS FROM OTHER PARTS OF THE WORLD:

-PROBLEMS OF SUPPLY AND INCREASING COSTS;

-IS THE GROWING COST A PERMANENT PROBLEM OR ANY A
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TEMPORARY PHENOMENON?

-. IS A RATIONAL DISTRIBUTION OF THE AVAILABLE RESOURCES
CONCEIVABLE?

IV. INFLATION AND ITS EFFECTS ON ATLANTIC RELATIONS
THE REPERCUSSIONS OF INFLATION ON MILITARY SPENDING, ON
THE PURCHASE OF MILITARY EQUIPMENT, THE IMPACT ON RESEARCH AND
DEVELOPMENT AND THE INCREASING SOPHISTICATION OF THE ARMAMENTS ARE
UNDER CURRENT CONSIDERATION WITHIN NATO. IN ADDITION IT IS CLEAR
THAT THE CONTINUING PRESSURE OF INFLATION EXERTS SOME GLOBAL
INFLUENCE ON THE RELATIONS AMONG ATLANTIC COUNTRIES:

-CONSEQUENCES OF THE INFLATION PRESSURE IN NATO COUNTRIES
AND ON THEIR ATLANTIC RELATIONS;

-THE RESULTING MONETARY QUESTION.

V. SPECIFIC ASPECTS OF COMMERCIAL AND FINANCIAL RELATIONS BETWEEN
EUROPE AND THE NORTH AMERICAN COUNTRIES

THE ECONOMIC COMMITTEE FOLLOWS THE EVOLUTION OF EAST-WEST
TRADE RELATIONS AND REPORTS PERIODICALLY TO THE COUNCIL. IT MIGHT
BE WORTHWHILE TO DEVOTE SOME ATTENTION TO THE DEVELOPMENT OF TRADE
RELATIONS BETWEEN THE NORTH AMERICAN NATO COUNTRIES, THE EUROPEAN
COMMUNITY AND THE OTHER EUROPEAN NATO COUNTRIES:

-EVOLUTION OF IMPORTS AND EXPORTS;

-EVOLUTION IN THE COMPOSITION OF THIS TRADE;

-SHORT-TERM PROSPECTS;

-THE EXPORTS OF CAPITAL AND THE FOREIGN INVESTMENTS
PROBLEMS;

-THE MULTI-NATIONAL ENTERPRISES.

VI. ECONOMIC DEVELOPMENT OF THE MEDITERRANEAN COUNTRIES
INFORMATION ON THE ECONOMIC DEVELOPMENT OF THE NATO
MEDITERRANEAN COUNTRIES IS CURRENTLY AVAILABLE. IN ADDITION THE
ECONOMIC COMMITTEE REVIEWS FROM TIME TO TIME THE ECONOMIC DEVELOP-
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MENTS OF YUGOSLAVIA. IN VIEW OF THE GROWING IMPORTANCE FOR THE ALLIANCE OF THE MEDITERRANEAN AREA IT MIGHT BE ADVISABLE TO COMPLETE THIS INFORMATION BY ADDITIONAL STUDIES ON THE ECONOMIC DEVELOPMENT IN:

-SPAIN; MALTA; CYPRUS AND THE NORTH AFRICAN MEDITERRANEAN COUNTRIES.

VII. STANDARDIZATION OF ARMAMENTS AND JOINT PRODUCTION

THE PROBLEM OF THE OPTIMIZATION OF SPENDING FOR DEFENCE PURPOSES HAS BEEN A CONSTANT PREOCCUPATION OF THE ALLIANCE. IN THE GIVEN CIRCUMSTANCES THE ECONOMIC COMMITTEE MIGHT FIND IT APPROPRIATE TO DEVOTE MORE ATTENTION TO THE OVERALL ECONOMIC ASPECTS OF THE PROBLEM AND THEIR POSSIBLE CONTRIBUTION TO GENERAL ECONOMIC QUESTIONS AT THE NATIONAL AND REGIONAL LEVELS.
END TEXT

3. ACTION REQUESTED: WASHINGTON COMMENT BY OCT 17 ON ITS PREFERENCES ON THE ABOVE PROPOSED TOPICS FOR ECONOMICS COMMITTEE WORK.

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